

Eastern District of California

MARCH 2010

U.S. Attorney's Report to the District

By U.S. Attorney Benjamin B. Wagner

Since becoming United States Attorney, I have identified financial crimes, including mortgage fraud, as one of my highest priorities. Mortgage fraud is of particular concern in this district. Three of the ten cities nationwide with the highest foreclosure rates in 2009 were in the Eastern District of California. Seven of the ten counties in California with the highest foreclosure rates last year were in this district. While not all foreclosures are the result of fraud, we know that homeowners and financial institutions in this region have been victims of many types of mortgage fraud schemes.

Mortgage Fraud Schemes Flourish

During the 2003 to 2007 period, when the housing market was booming and underwriting standards were relaxed, some investors, developers, real estate professionals, mortgage brokers, appraisers, and some borrowers succumbed to the lure of easy money. Property values were often inflated, loans were obtained based on false documentation, and "straw buyers" were used to obtain and flip properties. More recently, as foreclosures have become common, there has been a proliferation of foreclosure rescue and equity stripping schemes, in which con artists take advantage of desperate homeowners.

Financial and Human Costs

The impact of these schemes has been profound. Numerous financial institutions have failed and others have been weakened. Many

families have lost homes, or have seen steep declines in the value of their primary asset. Some whole neighborhoods have been blighted by foreclosures. I recently visited a neighborhood in Merced in which occupied homes stood next to empty, vandalized residences, which the Sheriff told me had become magnets for crime. In sum, the financial and human costs of the mortgage fraud crisis have been enormous.

Mortgage Fraud Working Group

While prosecutions alone will not bring about a faster recovery from this crisis, the Department of Justice is doing all it can to root out criminals in the real estate and mortgage lending industries, and restore confidence in the integrity of the residential mortgage market, a bedrock of our economy. In November, President Obama formed a national Financial Fraud Enforcement Task Force, chaired by the Attorney General. The FFETF includes the national Mortgage Fraud Working Group, which is working with federal and state law enforcement authorities to implement a national strategy for increasing prosecutions of mortgage fraud, to provide training, and to share information.

Our Prosecutorial Focus on Mortgage Fraud

In this office, we have already prosecuted several major mortgage fraud cases, some with victims in multiple states, and we are devoting more resources and attention to the problem than ever before. I have tasked experienced prosecutors in this office with bringing more prosecutions in the near future, have directed our civil division to consider cases for appropriate civil enforcement cases, and have hired two new attorneys who will focus exclusively on prosecuting mortgage fraud cases.
